

7

7

**TESTIMONY OF  
SAINT FRANCIS HOSPITAL & MEDICAL CENTER  
SUBMITTED TO THE  
FINANCE, REVENUE AND BONDING COMMITTEE BY  
DAVID BITTNER, SENIOR VICE PRESIDENT OF FINANCE, CHIEF FINANCIAL  
OFFICER  
TUESDAY, APRIL 21, 2015**

**HB 7058, An Act Concerning The Hospital Tax**

Saint Francis Hospital & Medical Center appreciates this opportunity to submit testimony in support of **HB 7058, An Act Concerning The Hospital Tax**.

Saint Francis Hospital and Medical Center is a cornerstone of its community, caring for everyone who comes through its doors 24 hours a day regardless of ability to pay. Saint Francis has been a vital part of the Greater Hartford Community's health care safety net for 118 years, providing over \$78 million in community benefit to 147,675 individuals in FY2014 alone.

Saint Francis admitted more than 35,000 inpatients and observation patients, saw over 81,000 individuals in its Emergency Department and treated 65,000+ in its clinics in FY2014. Saint Francis currently employs 3,800 full-time workers, including 197 physicians. Beyond the lifesaving care the hospital provides 24 hours a day, Saint Francis contributes \$1.3 billion of economic benefit to its local and state economies each year.

The hospital tax was adopted in 2011 and began operating in state fiscal year 2012. Its original purpose was to provide a small amount of financial assistance to the hospitals (approximately \$50 million a year) and significant help to the state (approximately \$150 million a year). It worked originally through the following mechanism: hospitals paid \$350 million in taxes and received back \$400 million in payments. The state claimed the \$400 million in payments to hospitals as Medicaid payments and received \$200 million from the federal government. The \$200 million from the federal government was split: \$50 million was provided as a "subsidy" to the hospitals and \$150 million went to the state to balance its budget. In short, for every new federal dollar, a quarter went to help hospitals and three quarters went to reduce the state deficit.

Unfortunately that structure only lasted one year and in December of 2012, the hospital tax began costing hospitals more and more as the state returned progressively smaller amounts of the \$350 million in hospital taxes it took in each year. In fact, through FY15 Saint Francis has paid over \$21 million more on hospital taxes than it received from the state.

The loss of revenue associated with paying the hospital tax has forced Saint Francis to make difficult choices, including the elimination of many jobs, service reductions and delay on investments in technology and infrastructure.

We need the Hospital Tax to end.

While the hospital tax cannot end soon enough for hospitals, Saint Francis also supports the phase-out outlined in HB 7058. We do, however, ask that the draft bill be amended to specify the amount and level of the tax allowed for the eighteen months beginning July 1, 2015 and ending December 31, 2020 (i.e., the period before the phase-out begins). Specifically, we ask that the amount of tax by hospital be no higher than the current tax by hospital and that the aggregate of the tax between July 1, 2015 and December 31, 2020 not exceed the aggregate of the related supplemental payment structure.

Saint Francis remains committed to reforming the way healthcare is delivered to all people but particularly to the Medicaid and uninsured populations. Saint Francis welcomes opportunities to work with the Administration and the Connecticut General Assembly to design innovative models of care that delivers better, less costly primary care to populations that have inadequate access to care, reforming the Medicaid delivery system through projects that create primary care medical homes, reduce inappropriate emergency department utilization and ensure all populations have access to adequate specialty care through a partnership between the state and its health providers is the best approach to reducing the cost of care while improving the health of Connecticut's residents.

Thank you for your consideration of our position.